

Message Text

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73

ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

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AID-20 COME-00 EB-11 FRB-02 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 INT-08 FPC-01 SCEM-02

EPA-04 CEQ-02 TAR-02 DRC-01 /176 W

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R 061540Z SEP 73

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 1676

INFO AMCONSUL CALGARY

AMCONSUL MONTREAL

AMCONSUL TORONTO

UNCLAS OTTAWA 2126

E.O. 11652: N/A

TAGS: ENRG, CA, US

SUBJECT: NEW CANADIAN OIL POLICY - PRESS COMMENTARY

1. MONTREAL GAZETTE OF SEPTEMBER 6 PROMINENTLY FEATURES OTTAWA DATELINE ITEM CAPTIONED "U.S. COULD KILL NEWPIPELINE PROPOSAL," ACCOMPANIED BY MAP SHOWING MUCH OF INTERPROVINCIAL PIPE LINE (WHICH IT IS PROPOSED WOULD BE EXTENDED TO MONTREAL) PASSES THROUGH U.S. TERRITORY. THRUST OF ARTICLE IS THAT U.S. HAS POWER AND MOTIVE FOR "SCUTTLING/ PRIME MINISTER'S PIPELINE PLAN BY REFUSING TO ALLOW AN INCREASED FLOW OF CANADIAN OIL SHIPMENTS TO ENTER THE EXTENSION. ENERGY MINISTER MACDONALD IS SAID TO HAVE CONFIRMED THAT U.S. COULD BLOCK THE OIL FLOW AND IS QUOTED AS SAYING "I WOULDN'T UNDERRATE THE PROBLEM IN GOING TO THE AMERICANS ON THIS QUESTION. THIS IS ONE OF THE IMPORTANT ELEMENTS IN THIS QUESTION." HE REPORTEDLY CONFIRMED THAT NEGOTIATIONS WOULD HAVE TO TAKE PLACE

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BETWEEN CANADIAN NATIONAL ENERGY BOARD AND U.S. FPC,

NOTING THERE IS NO TREATY ARRANGEMENT COVERING THE SITUATION. HE ALSO INDICATED NECESSITY OF TALKING WITH OIL-EXPORTING NATIONS PRESENTLY SUPPLYING EASTERN CANADA BEFORE PIPELINE COULD BECOME REALITY. IN THIS CONNECTION, HE SAID "AS YOU SEE, IN THIS JOB THERE IS A GREAT DEAL OF SCOPE FOR TRAVEL."

2. GAZETTE EDITORIAL STATES THAT PIPELINE PLAN IS DECISION "THAT WILL MAKE SENSE TO ALMOST EVERYBODY EXCEPT PREMIER BOURASSA, FOR BY OFFERING A CHOICE OF SOURCES, IT WILL TEND TO STABILIZE PRICES. SINCE THE NDP HAD ALREADY COME OUT FOR THE NEW PIPELINE EARLIER IN THE YEAR, MR. TRUDEAU'S MOVE WILL ALSO TEND TO STABILIZE THE GOVERNMENT." A FRONT PAGE ARTICLE NOTES THAT QUEBEC GOVERNMENT NOW SCRAMBLING TO SAVE ITS "CHERISHED" PLAN FOR A \$400 MILLION SUPERPORT-PIPELINE REFINERY COMPLEX WHICH IT BELIEVES NECESSARY TO MEET ITS OIL NEEDS BEYOND 1978. REPORTEDLY QUEBEC NATURAL RESOURCES MINISTER MASSE WILL MEET MACDONALD SEPTEMBER 14 TO DISCUSS FEDERAL PROPOSAL.

3. TORONTO GLOBE AND MAIL OF SEPTEMBER 6 INDICATES CONSIDERABLE CONFUSION OVER APPLICABILITY OF VOLUNTARY OIL PRICE FREEZE, I.E., WHETHER IT APPLIES ONLY TO CRUDE OIL OR TO REFINED PRODUCT PURCHASED BY CONSUMER, WHETHER TO ONLY OIL PRODUCED IN CANADA, ETC., MACDONALD, WHILE NOT CLARIFYING SITUATION, DID STATE GOC DID NOT REPEAT NOT INTEND TO INTRODUCE LEGISLATION WITH REGARD TO FREEZE BUT WILL NEED LEGISLATION FOR AN EXPORT TAX OR OIL MARKETING BOARD TO DIVORCE CANADIAN MARKET FROM U.S. MARKET IN EFFORT TO CURTAIL RISING OIL PRICES.

4. IN QUESTION AND ANSWER ARTICLE IN GLOBE AND MAIL, MACDONALD SAID NEW OIL POLICY IS DECISION IN PRINCIPLE AND OPPONENTS WOULD HAVE TO HAVE GOOD ARGUMENTS TO ALTER IT. FURTHER SAID SECURITY OF SUPPLY WAS A MAJOR MOTIVATION. IN ANSWER TO QUESTION ABOUT CURRENT EXPORTS TO U.S., MACDONALD STATED (IN EDITED TRANSCRIPT) THAT CRUDE THAT WILL GO INTO MONTREAL WOULD HAVE TO UNCLASSIFIED

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COME OUT OF STOCKS SOLD ON AMERICAN MARKET. IN RESPONSE TO QUESTION ON WASHINGTON REACTION MACDONALD IS QUOTED AS FOLLOWS: "WELL, IT WILL BE INTERESTING TO HEAR WHAT THEIR REACTION IS BECAUSE THE NOTION OF A PIPELINE INTO MONTREAL TO SOLVE THE CANADIAN SECURITY PROBLEM WAS A CONCEPT VERY ENTHUSIASTICALLY ACCEPTED BY THE PRESENT AMERICAN ADMINISTRATION." THIS FOLLOWED BY QUESTION "BUT WAS THAT NOT WHEN THE WHOLE ENERGY

SITUATION WAS MUCH DIFFERENT?" MACDONALD'S REPLY WAS
"I DON'T KNOW IF IT WAS SO DIFFERENT. AT THAT TIME
FLANIGAN WAS SAYING: 'YOU GUYS HAVEN'T GOT ENOUGH OIL
ANYWAY, YOU ARE GOING TO HAVE TO PUT ON EXPORT
CONTROLS.' IN THIS REGARD, HE WAS QUITE ACCURATE."

5. EMBASSY POUCHING ALL PERTINENT PRESS CLIPPINGS
THIS AFTERNOON.
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